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**Milliman**

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May 29, 2007

Jeff Wells, M.D.  
Director of Medicaid and Health Policy  
State of Indiana  
Office of Medicaid Policy and Planning  
402 W. Washington Street  
Indianapolis, IN 46204

### **RE: HEALTHY INDIANA CHECK-UP PROGRAM – PREMIUM RATES – V5**

Dear Dr. Wells:

Milliman, Inc. (Milliman) has been retained by the State of Indiana, Office of Medicaid Policy and Planning (OMPP) to provide actuarial services related to the Healthy Indiana Check-Up Program (Healthy Indiana). This letter contains the revised estimates of the premium rates for the benefit plan design as provided by OMPP.

This letter completely replaces the letter sent by Milliman dated May 4, 2007.

### **LIMITATIONS**

The information contained in this letter has been prepared for the State of Indiana, Office of Medicaid Policy and Planning and its consultants and advisors. It is our understanding that the information contained in this letter may be utilized in a public document. To the extent that the information contained in this letter is provided to third parties, the letter should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed that they are to place no reliance upon this letter prepared for OMPP by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this letter must rely upon their own experts in drawing conclusions about the capitation rates, assumptions, and trends.

The data and information included in the letter has been developed to assist in the establishment and monitoring of expenditure estimates for the Healthy Indiana Check-Up Program. The data and information presented may not be appropriate for any other purpose.

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**EXECUTIVE SUMMARY**

Milliman was requested to estimate the per member per month (PMPM) premium rates for calendar year 2008 for the Healthy Indiana program. Three distinct eligibility categories, Parents, Non-Custodial Adults and Pregnant Women, will be covered under the program with the same insurance benefit level (with the exception of varying emergency room co-payments). The families will have varying levels of healthcare spending account (Power Account) contributions made on their behalf corresponding to the percentage of Federal Poverty Level (FPL) for each family. This letter contains the Parents and Non-Custodial Adults only and does not address the Pregnant Women category. Table 1 provides the estimated age and gender PMPM premium rates assuming provider reimbursement approximately equal to Medicare.

Note, the PMPM premium rates shown in Table 1 do not include the additional contributions required to the Power Account.

**Table 1**

**STATE OF INDIANA  
OFFICE OF MEDICAID POLICY AND PLANNING**

**Healthy Indiana – Calendar Year 2008  
Total Estimated PMPM Premium Rates – Medicare Reimbursement**

| <b>Gender</b> | <b>Age Group</b> | <b>Parents - Medical</b> | <b>Non-Custodial Adults - Medical</b> | <b>Vision Rider</b> | <b>Dental Rider</b> |
|---------------|------------------|--------------------------|---------------------------------------|---------------------|---------------------|
| <b>Male</b>   | 19 to 24         | \$95.86                  | \$95.57                               | \$3.23              | \$32.77             |
|               | 25 to 34         | 121.72                   | 121.35                                | 3.63                | 34.89               |
|               | 35 to 44         | 184.53                   | 183.97                                | 4.81                | 41.50               |
|               | 45 to 54         | 308.13                   | 307.20                                | 8.52                | 50.15               |
|               | 55 to 64         | 539.02                   | 537.39                                | 9.91                | 54.17               |
| <b>Female</b> | 19 to 24         | 182.62                   | 182.07                                | 6.23                | 42.95               |
|               | 25 to 34         | 215.54                   | 214.89                                | 6.50                | 41.72               |
|               | 35 to 44         | 267.83                   | 267.02                                | 7.37                | 48.25               |
|               | 45 to 54         | 363.68                   | 362.58                                | 10.49               | 54.64               |
|               | 55 to 64         | 510.72                   | 509.18                                | 12.30               | 56.90               |

- Notes:
1. Values include the total insurance benefit cost without reduction for beneficiary premiums.
  2. Values include 15% retention and are adjusted for estimated high risk pool referrals.
  3. Values exclude State and recipient contributions to the Power Account.

Enclosure 1 provides the estimated age and gender PMPM premium rates for each of the Parents and Non-Custodial Adults populations contained in Table 1. Enclosure 2 contains the summary plan design for the insurance benefit.



## **METHODOLOGY**

Milliman relied upon information provided by OMPP, internal Milliman data, and our actuarial judgment to estimate the PMPM premium rates for the Healthy Indiana program. The key assumptions were related to the following components:

- Covered Benefits
- Provider Reimbursement
- Net Claims Cost
- Retention

### **Covered Benefits**

Milliman estimated the high deductible health plan (HDHP) benefit design that would apply to all eligibility categories and FPL ranges. Each category and FPL range will contain a unique contribution by the State into the Power Account that will limit the beneficiaries out-of-pocket cost to the maximum allowed under federal regulation (*i.e.*, 5%). ***The values in Table 1 and Enclosure 1 do not reflect the state or recipient contributions to the Power Account.*** Enclosure 2 contains the plan design for the insurance benefit. Maternity benefits, among other services, are not covered under this program.

### **Provider Reimbursement**

Milliman assumed the provider reimbursement for this program to be equal to Medicare reimbursement, where applicable, based on information provided by OMPP. Facility charges were assumed to be a 40% discount from billed charges to approximate Medicare reimbursement. Professional claims were assumed to be 100% of the 2005 Indiana Medicare Fee Schedule. Dental services were estimated to be 130% of Medicaid reimbursement based on information provided by OMPP.

### **Net Claims Cost**

The estimated net claims cost PMPM was based upon our review of the current Medicaid beneficiaries as well as the 2005 Milliman Health Cost Guidelines (HCG). The HCGs contain claim cost estimates by age and gender for the commercially insured population. Milliman estimated the composite PMPM claims cost using the age and gender enrollment distributions contained in the Lewin Group report dated June 28, 2006.

The Healthy Indiana plan is a managed care plan. As such, managed care adjustments were applied to the starting utilization rates per 1,000 for each category of service to reflect a moderately managed delivery system.

Milliman assumed an annual claim cost trend rate equal to 6.5%, 6.5% and 2.0% from the 2005 base period to the 2008 projection period for the medical, vision, and dental components, respectively. The trend rate was based upon review of the CMS National Health Care Expenditures Projections: 2005-2015 and our actuarial judgment.



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The base medical plan for Parents and Non-Custodial Adults was adjusted to recognize the reduction in claims costs associated with the referral of specific disease states to a high risk pool program as provided by OMPP. Milliman estimated that the highest risk 1% of individual applicants would be referred to the high risk pool program reducing the claim cost of the remaining risk pool by approximately 9.3%. The impact of the high risk pool referrals was based on the Milliman Medical Underwriting Guidelines and our actuarial judgment.

The Dental and Vision optional riders include anti-selection adjustments of 50% due to the voluntary nature of the benefit. Milliman estimated this utilization increase based on information contained in the HCGs as well as our experience with similar benefit plans.

**Retention**

Milliman assumed a retention percentage equal to 15% of premium typical for Commercial PPO Group insurance. The estimate is based on Milliman's 2005 Group Health Insurance Survey.

**DATA RELIANCE**

In the development of the information presented in this letter, Milliman has relied upon certain information from OMPP. To the extent that the data is not complete or otherwise inaccurate, the values presented in our report will need to be reviewed for consistency and revised to meet any revised data.



Please contact me if you have any questions regarding the information contained in this letter. I can be reached at (317) 639-1000, ext. 3512.

Sincerely,

Robert M. Damler, FSA, MAAA  
Principal and Consulting Actuary

RMD/mle

Enclosures

cc: Ms. Seema Verma



## **ENCLOSURE 1**

**State of Indiana**  
**Healthy Indiana Check-Up Program**  
**Monthly Premium - 15% Retention**  
**Calendar Year 2008**  
**Maximum Capitation Rates**

**Parents**

| <b>Age / Gender</b>  | <b>Estimated</b>    |                     |                     |                     |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Category</b>      | <b>Distribution</b> | <b>Base Medical</b> | <b>Vision Rider</b> | <b>Dental Rider</b> |
| <i><b>Male</b></i>   |                     |                     |                     |                     |
| 19 - 24              | 10.4%               | \$95.86             | \$3.23              | \$32.77             |
| 25 - 34              | 11.5%               | \$121.72            | \$3.63              | \$34.89             |
| 35 - 44              | 10.3%               | \$184.53            | \$4.81              | \$41.50             |
| 45 - 54              | 8.0%                | \$308.13            | \$8.52              | \$50.15             |
| 55 - 64              | 6.3%                | \$539.02            | \$9.91              | \$54.17             |
| <i><b>Female</b></i> |                     |                     |                     |                     |
| 19 - 24              | 12.2%               | \$182.62            | \$6.23              | \$42.95             |
| 25 - 34              | 13.4%               | \$215.54            | \$6.50              | \$41.72             |
| 35 - 44              | 12.0%               | \$267.83            | \$7.37              | \$48.25             |
| 45 - 54              | 8.6%                | \$363.68            | \$10.49             | \$54.64             |
| 55 - 64              | 7.3%                | \$510.72            | \$12.30             | \$56.90             |
| <b>Composite</b>     |                     | \$253.44            | \$6.87              | \$44.59             |

**Non-Custodial Adults**

| <b>Age / Gender</b>  | <b>Estimated</b>    |                     |                     |                     |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Category</b>      | <b>Distribution</b> | <b>Base Medical</b> | <b>Vision Rider</b> | <b>Dental Rider</b> |
| <i><b>Male</b></i>   |                     |                     |                     |                     |
| 19 - 24              | 15.5%               | \$95.57             | \$3.23              | \$32.77             |
| 25 - 34              | 15.6%               | \$121.35            | \$3.63              | \$34.89             |
| 35 - 44              | 14.5%               | \$183.97            | \$4.81              | \$41.50             |
| 45 - 54              | 10.6%               | \$307.20            | \$8.52              | \$50.15             |
| 55 - 64              | 5.5%                | \$537.39            | \$9.91              | \$54.17             |
| <i><b>Female</b></i> |                     |                     |                     |                     |
| 19 - 24              | 7.4%                | \$182.07            | \$6.23              | \$42.95             |
| 25 - 34              | 10.2%               | \$214.89            | \$6.50              | \$41.72             |
| 35 - 44              | 7.7%                | \$267.02            | \$7.37              | \$48.25             |
| 45 - 54              | 6.1%                | \$362.58            | \$10.49             | \$54.64             |
| 55 - 64              | 6.9%                | \$509.18            | \$12.30             | \$56.90             |
| <b>Composite</b>     |                     | \$235.74            | \$6.39              | \$43.24             |

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## **ENCLOSURE 2**



## Healthy Indiana Check-Up Program

### Summary Plan Description

| Benefit  | Description   |
|--|---|
| Deductible (Per Person)                            | \$1,100   |
| Annual Benefit Maximum (Per Person)                | \$300,000   |
| Lifetime Benefit Maximum (Per Person)              | \$1,000,000   |
| <b><i>Inpatient Facility</i></b>                   |   |
| Medical/Surgical                                   |   |
| Mental Health / Substance Abuse                    | Covered Same as any Other Illness   |
| Skilled Nursing Facility                           | Excludes Custodial Care   |
| <b><i>Outpatient Facility</i></b>                  |   |
| Surgery  |   |
| Emergency Room                                     | Parents (0-100%): \$3 Non-Emergent Only<br>Parents (101-150%): \$6 Non-Emergent Only<br>Parents (151-200%): \$25 Non-Emergent Only<br>Non-Custodial Adults (0-200%): \$25 |
| Urgent Care  |   |
| Physical / Occupational / Speech Therapy           | 25 Visit Annual Maximum for each Therapy  |
| Radiology/Pathology                                |   |
| Pharmacy and Blood                                 |   |
| Cardiovascular                                     |   |
| <b><i>Professional Services</i></b>                |   |
| Inpatient/Outpatient Surgery                       |   |
| Inpatient / Outpatient / ER Visits                 |   |
| Office Visits / Consults                           |   |
| Preventive Services                                | \$500 Annual First Dollar Coverage (Not Subject to the Deductible)  |
| Physical / Occupational / Speech Therapy           | 25 Visit Annual Maximum for each Therapy  |
| Cardiovascular                                     |   |
| Radiology/Pathology                                |   |
| Outpatient Mental Health/Substance Abuse           | Covered Same as any Other Illness   |
| <b><i>Ancillary Services</i></b>                   |   |
| Prescription Drug                                  | Generic Mandate Applies – If Available  |
| Home Health / Home IV Therapy                      | Excludes Custodial Care   |
| Ambulance  | Emergency Transportation Only   |
| Durable Medical Equipment / Supplies / Prosthetics |   |
| <b><i>Optional Benefit Riders</i></b>              |   |
| Dental Care Services                               | Comprehensive Benefit (Not Subject to the Deductible)   |
| Vision Exams / Hardware                            | Frames / Lenses Once Per Year (Contacts Included)   |

**Note: All Services are Subject to the Deductible Unless Stated Otherwise.**

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### **Preventive Services (Up to \$500 Not Subject to Deductible)**

- Immunizations
- Flu Shots
- Annual Physicals (Including Diagnostic Services)
- Pap Smears
- Mammograms
- Routine Prostate Antigen Tests
- Colorectal Cancer Exam / Laboratory Testing
- Smoking Cessation Counseling and Nicotine Replacement Therapy (Prescription Only)

### **Chronic Disease Management Programs Covering**

- Diabetes
- Congestive Heart Failure
- Asthma
- Chronic Kidney Disease

### **Excluded Benefits**

- Maternity and related services
- Dental services including extraction, restoration and replacement of teeth, x-rays, supplies, appliances and all associated supplies with the exception of an accidental traumatic injury to natural teeth. In such cases, treatment must be sought within 48 hours of the injury.
- Conventional or surgical orthodontics or any treatment of congenitally missing, malpositioned, or super numerary teeth, even if part of a congenital anomaly
- Vision services
- Elective abortions and abortifacients
- Non-emergency transportation services
- Chiropractic services
- Long term or custodial care including domiciliary, convalescent care, skilled nursing facilities used for long-term care and custodial care, nursing home care, home-based respite care, group homes, halfway homes, residential facilities
- Experimental and investigative services. Experimental and investigative services include those procedures and services that are not consistent with accepted standard medical practice or services not approved by the governing bodies. The Plan has the sole authority and discretion to identify and weigh all information and determine all questions pertaining to experimental and investigative services.
- Any services which are not deemed to be medically necessary as determined by the Plan.
- Day care and foster care
- Personal comfort or convenience items not limited to air purifiers, allergenic items (e.g. pillows, mattresses, waterbeds, etc.). Humidifiers, physical fitness equipment, air conditioners, treadmills or any other item deemed as a personal comfort item by the Plan.
- Cosmetic services, procedures, equipment or supplies. Cosmetic services are primarily intended to preserve, change or improve appearance or for the improvement of psychiatric or psychological reasons. Complications directly relating to cosmetic services, treatment or surgery are not covered. Benefits are available if treatment for reconstructive service is performed to correct a physical functional impairment of any area caused by disease, trauma, congenital anomalies or previous medically necessary procedure.
- Hearing aids, including any associated services for the fitting or prescription of hearing aids.

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- Safety glasses, athletic glasses and sunglasses.
- LASIK and any surgical eye procedures to correct refractive errors.
- Vitamins, supplements and over-the-counter medications.
- Wellness benefits other than smoking cessation.
- Diagnostic testing or treatment in relation to infertility.
- In vitro fertilization.
- Gamete or zygote intrafallopian transfers.
- Artificial insemination.
- Reversal of voluntary sterilization
- Transsexual surgery.
- Treatment of sexual dysfunction including but not limited to medication.
- Ear piercing.
- Over-the-counter contraceptives.
- Physician samples dispensed in a physician's office
- Alternative or complementary medicine including, but not limited to, acupuncture, holistic medicine, homeopathy, hypnosis, aroma therapy, reiki therapy, massage therapy, herbal, vitamin or dietary products or therapies.
- Treatment of hyperhidrosis.
- Court ordered testing or care unless medically necessary.
- Travel related expenses including mileage, lodging and meal costs.
- Missed or canceled appointments for which there is a charge.
- Services and supplies provided by, prescribed by, or ordered by immediate family members including spouses, parents, siblings, in-laws or self
- Services and supplies for which member has no legal obligation to pay in absence of this or like coverage.
- The evaluation or treatment of learning disabilities.
- Foot care, with the exception of diabetes foot care, that is deemed routine including cutting or removal of corns, calluses, nail trimming, and cutting. Foot care that is hygienic and preventative maintenance
- Surgical treatment of the feet to correct flat feet, hyperkeratosis, metatarsalgia, subluxation of the foot, and tarsalgia.
- Any injury, condition, disease ailment arising out of the course of employment IF benefits are available under any Worker's Compensation Act or other similar law.
- Examinations for the purpose of research screening